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ECONOMIC COMMISSION FOR AFRICA

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Tripoli, Libyan Arab Jamahiriya
15-19 May 1990

LG/NAIROBI

PROGRESS REPORT ON THE FOLLOW-UP ON AAF-SAP

(as of end February 1990)

INTRODUCTION

1. In resolution 676 (XXIV), which adopted the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP), the ECA Conference of Ministers specifically requested for a number of important follow-up actions. These included:

(a) Submission of AAF-SAP to the Working Group of African Governors of the International Monetary Fund and the World Bank for inclusion in the memoranda to the Managing Director of the IMF and the President of the World Bank as well as the Joint Statement to the annual meeting;

(b) To undertake close consultations on AAF-SAP at management level with multilateral development and finance institutions;

(c) To undertake close consultations at technical levels, again, with the multilateral and finance institutions;

(d) Presentation of AAF-SAP to the 1989 second regular session of the Economic and Social Council (ECOSOC);

(e) To have AAF-SAP included in the agenda of the forty-fourth session and to have it circulated as a General Assembly document;

(f) Submission of AAF-SAP to the meeting of the Development Committee of the World Bank and the IMF.

2. In addition to these specific requests for follow-up as contained in resolution 676 (XXIV), the joint meeting of African Ministers of Finance and Ministers responsible for Economic Planning and Development had expressed a general wish to have AAF-SAP submitted to the OAU summit of African Heads of State and Government in July 1989 and to all "relevant fora".[1]

3. Over and above the explicit requests by the African ministers on the follow-up of AAF-SAP, it was well understood that there were a lot of actions that had to be undertaken to ensure the full and effective operationalization of the African Alternative. Firstly, in view of the realization that AAF-SAP had to be built on a new partnership not only among African Governments themselves but also between them and their development partners, there was need to sensitize the world at large about the African Alternative through, inter alia, massive diffusion of the document and the holding of public discussions and seminars. Secondly, in line with the request of the Blantyre Statement on AAF-SAP, it was necessary to undertake in depth studies of some specific policy instruments with a view to finding out how such instruments can best be operationalized in individual African countries. Thirdly, it had been anticipated that subsequent to the adoption of AAF-SAP, action had to be urgently taken at the country and subregional levels to assist countries to operationalize AAF-SAP.

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[1] See para. 6 of the Addis Ababa Joint Statement by African Ministers of Economic Planning and Development and Ministers of Finance dated 10 April 1989.

4. The present paper reports on all the actions that have been taken by the ECA secretariat and others in ensuring an effective follow-up and operationalization of AAF-SAP. It should, of course, be noted that the present paper covers only a limited period of only eight months between the adoption of AAF-SAP in April 1989 and the end of the year. However, as will become clear in the next sections, it is astonishing how much has taken place in so short a time. The momentum that followed the adoption of AAF-SAP has been kept in full gear. The challenge is to maintain this momentum at even higher levels and ensure the full operationalization of AAF SAP at all levels.

5. Before specific actions are reported on in the sections that follow, it should be noted that AAF-SAP has indeed generated a lot of interest within and outside Africa. One indicator of such interest has been the demand for the published version of AAF-SAP. When AAF-SAP was launched in London on 6 July 1989, ECA had printed a total of 18,000 copies of AAF-SAP (10,000 copies in English, 5,000 copies in French and 3,000 copies in Arabic). As of the writing of this paper, the secretariat had run out of the printed copies and a reprint was being urgently considered. A second indicator of the world wide interest in AAF-SAP has been the extensive press coverage that it has retreived and continues to receive. A booklet showing some of the press coverage has been compiled to highlight the points of view expressed on AAF-SAP worldwide.

PART I: SUBMISSION OF AAF SAP TO ALL RELEVANT FORA AND WORKSHOPS

6. The secretariat of the Economic Commission for Africa has not let any opportunity go by in terms of submitting AAF-SAP to different fora where its consideration had important implications for its future operationalization. Below, the different fora to which AAF-SAP was submitted and the results thereof are briefly discussed. It should be stressed that in all the fora outlined below the African member States were of crucial assistance both in the process of submitting the document and in terms of supporting and soliciting others to support it.

A. The OAU Summit of African Heads of State and Government

7. Subsequent to the adoption of AAF-SAP by the ECA Conference of Ministers, it was submitted to the OAU Permanent Steering Committee which was preparing for the 1989 Summit of African Heads of State and Government. From there it was considered by the Council of Ministers of the Organization of African Unity at its fiftieth ordinary session. The Council of Ministers adopted resolution CM/Res. 1222(L) for consideration by the summit.

8. During the summit of the African Heads of State and Government, many African leaders expressed their support for AAF-SAP as well as the wish to get it effectively implemented in their individual countries. The summit adopted resolution 1222(L) which is annexed to this report (annex I). As per this resolution AAF-SAP was adopted at the highest level in Africa.

B. The Conference of Heads of State or Government of Non-aligned Countries

9. On the initiative of African countries represented in the non-aligned group of countries, AAF-SAP was presented to the ninth Conference of Heads of State or Government of Non-aligned Countries in Belgrade, Yugoslavia, in September 1989. With an amazing show of solidarity, the non-aligned summit gave all its backing to AAF-SAP and adopted a specific resolution recommending that AAF-SAP "should constitute a basis for constructive dialogue between African countries and their development partners in the implementation and financing of country programmes". This was one of the very rare occasions when the non-aligned summit put all its weight behind a specific development document such as AAF-SAP. The resolution adopted by the non-aligned summit is attached to the present report as annex II.

C. The ACP-EEC Joint Assembly

10. The ministerial meeting of the ACP-EEC which met in Versailles, France from 25 to 29 September 1989, considered AAF-SAP. In its resolution (see annex III) on the European Community's policy of structural adjustment in the context of the fourth Lome Convention, the ACP-EEC joint assembly was unequivocal in calling "on the governments of the member States and the Council and the Commission to do their utmost to put an end to the prevailing structural adjustment policy under the Bretton Woods Agreement,..and to reshape them radically in the form of an adjustment with transformation policy ...." The resolution further spelled out a number of important criteria to be taken as a basis for action in negotiating with development partners. (see operative paragraph 2 of the resolution in annex III).

D. The United Nations Economic and Social Council (ECOSOC)

11. In accordance with the specific request of ECA Conference of Ministers resolution 676 (XXIV), AAF-SAP was submitted to the ECOSOC second regular session of 1989 under agenda item 4, namely regional co-operation. ECOSOC expressed its interest in AAF-SAP and accordingly adopted a resolution which, inter alia, called upon "the international community especially developed countries and multilateral institutions to consider request to provide support to the country programmes prepared by African countries". The ECOSOC resolution is annexed to the present report as annex IV.

E. The United Nations General Assembly

12. The real climax of the long journey of AAF-SAP in international fora was its adoption by the General Assembly by vote on 17 November 1989. At the conclusion of a special debate during the plenary session of the General Assembly, it was voted 137 votes to 1, to adopt resolution 44/42 (complete text of which is reproduced as annex V to the present report) endorsing AAF-SAP and inviting "the international community, including the multilateral financial and

development institutions, to consider the framework as a basis for constructive dialogue and fruitful consultations.

i. The Working Group of African Governors of the International Monetary Fund and the World Bank and the Development Committee of the World Bank and the IMF

13. Again, as requested, AAF SAP was submitting for inclusion in the memoranda to the Managing Director of the IMF and the President of the World Bank. In the memorandum to the Managing Director of the IMF, the Working Party of the African Governors to the IMF and the World Bank devoted an entire section on the question of enhancing the adjustment process. This section is reproduced as annex VII of the present report. Similarly, in the memorandum to the President to the World Bank an entire section was devoted to the adjustment process and this is reproduced as annex VIII.

6. The International Conference on Popular Participation in the Recovery and Development Process in Africa, Arusha

14. Although AAF SAP was not directly discussed at the Arusha meeting on popular participation, it nevertheless formed a strong basis for the meeting as a whole. Indeed, in the Charter for Popular Participation that was unanimously adopted by government representatives and NGOs, it was reiterated that AAF SAP offered the best framework for an approach to sustainable development that has the full support of the people. The meeting also put on record its "disapproval of all economic programmes such as orthodox structural adjustment programmes which undermine the human condition and disregard the potential and role of popular participation in the process of development".[2]

H. Other International fora

15. It is also known that the African Alternative has been presented and/or debated at a number of other international fora either under the auspices of United Nations organizations or other sponsors in developing and developed countries. The most important of these include (a) the ILO sponsored Tripartite Symposium on Structural Adjustment and Employment in Africa, Nairobi, 10 to 12 October 1989, (b) the Abuja Conference on the Integration of Women in Development and (c) workshop by the Vienna Institute for Internal Development Co-operation and a seminar at Carlton University (Canada).

16. In the ILO symposium AAF-SAP was considered by the three parties at the meeting, namely 17 African Governments, 6 employer representatives and 6 labour union representatives along with international observers, that included the IMF, World Bank, OAU, ADB, ECA, United Nations specialized agencies, the Organization of African Trade Union Unity (OATUU), the International Confederation of Free Trade Unions (ICFTU) and the International Organization of Employers. On AAF-

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[2] See paragraph 6 of the Charter for Popular Participation in Development and Transformation (see p. 11).

SAP the Symposium called for the adoption of AAF-SAP in individual African countries.

17. In its declaration entitled Participatory Development: The Role of Women in Africa in the 1990s, the Abuja meeting categorically requested that "As governments develop structural adjustment policies and programmes especially when working on public investment programmes with institutions like the World Bank they should take advantage of the changed World Bank's approach to include estimates to cushion the impact of these policies on vulnerable groups such as women, children and families in the low-status income brackets". In addition to specific proposals to strengthen AAF-SAP as regards "gender" issues the declaration urged that "The strategies proposed in AAF-SAP should form the basis for national actions geared to alleviate the burdens on women".

PART II: CONSULTATIONS WITH FINANCIAL AND DEVELOPMENT AGENCIES, DONORS AND NGOS

A. Consultations with the World Bank

18. In accordance with ECA resolution 676 (XXIV) the ECA Executive Secretary made contacts with the management of both the IMF and the World Bank. In response to these contacts, the World Bank convened a meeting in Washington on 10 May 1989 of the heads and/or senior officials of the major organizations such as OAU, ECA, ADB, UNDP, UNICEF, IMF as well as the United Nations Secretariat to consider issues relevant to AAF-SAP at a policy-making level. The main result of this meeting was the building of a consensus on a number of areas. This constituted a major step in paving the way for a more pragmatic consideration of AAF-SAP especially by the World Bank. The full text of the joint statement issued at the end of the meeting is reproduced as annex 4 to the present report.

19. Technical consultations were also held in Washington from 30 November to 1 December 1989 between the technical staff of ECA and those of the World Bank. This meeting followed up on the general areas of agreement that had been reached at the policy level and further defined new ones. The meeting also endeavoured to narrow down the areas of disagreement between ECA and the World Bank. Broad agreement was reached on the major development objectives for African countries, the need to pursue adjustment in tandem with transformation, the need for flexibility in programme design, and the role and need for diversified exports. Outstanding issues on which consensus had yet to be reached included the role of markets versus administrative mechanisms in the allocation of credit and foreign exchange, the sustainability of liberalized foreign exchange systems and the appropriate pace of stabilization.

B. Consultations with the IMF

20. Subsequent to formal contacts and informal discussions between the ECA Executive Secretary and the Managing Director of the IMF, the IMF invited a technical team of ECA staff to the IMF to examine, in an analytical way and at a technical level, some of the specific policy approaches of AAF-SAP. The technical meeting took place in Washington on 27 and 28 November 1989.

21. The discussions focused on AAF-SAP and areas of consensus were defined. In addition, the discussions sought to narrow some of the differences that were perceived to exist regarding IMF approaches to stabilization and AAF-SAP proposed approach to adjustment with transformation. The meeting with the IMF reached a broad agreement on the seriousness of the economic and financial problems facing African countries, the need for strong and balanced reform programmes that would allow for sustained growth and transformation; Africa's development objectives notably the achievement of self-sustaining growth and development, the alleviation of poverty and the needed transformation of economic and social structures. The Fund indicated its concurrence with the need to incorporate sustained growth and income distribution issues in adjustment programmes. The Fund, however, expressed reservations on some AAF-SAP proposals particularly those which encouraged greater reliance on controls and a generally inward-looking policy stance involving in particular, policies like subsidies and price controls, selective credit, differential interest rates, multiple exchange rates, trade and payments arrangements as well as barter agreements to promote interregional trade and the limitation of debt-service payment ratios.

C. Consultations with donors

22. The interest generated by AAF-SAP has not been limited to international fora only. A number of donor countries expressed tremendous interest in AAF-SAP and in some cases the Executive Secretary of ECA has been able to hold consultations with officials of donor governments specifically on AAF-SAP. In the few months between the adoption of AAF-SAP in April 1989 and the end of the year, the Executive Secretary had held official consultations and/or briefings on AAF-SAP with high officials of the governments of Canada and the Netherlands. These consultations/briefings have proved to be very fruitful in terms of bringing about a greater understanding of the major concerns of AAF-SAP. In addition to these consultations, the ECA technical team that visited the IMF and the World Bank held consultations with congressional staff aides in Washington, 29 November 1989 involving staff from committees that deal with Senate Foreign Relations, House Foreign Affairs, House Banking and House and Senate Appropriations.

23. On 17 February 1990, the Executive Secretary was invited to address the Commission for Development and Co-operation of the European Parliament of the EEC on AAF-SAP. This meeting was of particular importance given the existing links of African countries with the EEC, especially within the context of the ACP-EEC Lome Convention.

D. Consultations with NGOs

24. In line with the call of AAF-SAP for a broad-based participation in development, the follow up activities have not only focused on government organs. Non-government organizations have also been fully appraised of AAF-SAP. In New York, an NGO meeting involving NGOs from Africa and those in developed countries was organized under the auspices of the Bahai to focus on AAF-SAP and the environment. The Executive Secretary of ECA addressed the meeting and raised

the awareness of all NGOs present on AAF-SAP. Another meeting of many Washington-based NGOs was extensively briefed about the concerns and issues that AAF-SAP raises and on its implementation. The meeting was held under the kind auspices of the office on Development Policy of the Church World Service/Lutheran World Relief. The NGOs expressed their appreciation of the concerns of AAF-SAP. During his visit to the Netherlands, the Executive Secretary also held meetings with the European Secretariat of the Forum of Debt and Development (FONDAD).

PART III OPERATIONALIZATION OF AAF-SAP

A. In-depth studies of selected policy instruments

25. As specifically requested for in the Blantyre Statement of Ministers of Finance, in-depth studies have been undertaken by the ECA secretariat. These studies have initially focused on three specific instruments that form part of the proposals of AAF-SAP namely (a) production subsidies, (b) multiple exchange rates systems, and (c) differential interest rate policy.

26. The main thrust of the studies is on both the theoretical and empirical basis for these policy instruments. At a theoretical level, the studies examine the basis for the use of these policy instruments and the theoretical assumptions behind such a basis. At the empirical level, the studies examine experiences of a number of countries that have used these policy instruments.[3] Overall, the studies on the policy instruments are intended to give to the African policy-makers the necessary guidelines on when and how to implement them in the framework of an AAF-SAP based country programme.

27. The initial drafts of the studies were discussed jointly by the African Planners and African economists at a Scientific Colloquium held in Addis Ababa from 16 to 19 January 1990. On the basis of the comments of the Colloquium, further work was undertaken to produce the final version of the studies to be presented to IEPCDW and the ECA Conference of Ministers in Tripoli, Libyan Arab Jamahiriya, in May 1990.

B. Formulation of model-types to analyze AAF-SAP policy instruments.

28. Although AAF-SAP outlined a generalized framework for application in the building of individual country models. It was evidently necessary to further define how the framework can be more elaborated. Thus work has been started in ECA to develop AAF SAP model-types that can be tailored to specific country situations in the analysis of the different policy instruments.

29. In accordance with the spirit of AAF-SAP, the model-types that are being developed do not constitute a sort of standardized model to be applied in all African countries irrespective of their peculiarities. Rather, the model-types are intended to serve as well-defined outlines of models along which country-

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[3] The countries covered include those in Africa, Latin America, Asia and Europe.

specific models can be designed. Like the policy studies, the preliminary specifications of the model-types were presented to the meeting of African economists and African planners for an in-depth examination and suggestions for improvements. Among the recommendations made on the model types developed to operationalize AAF-SAP are the following:

(a) The small model types proposed should be expanded to include more explicative variables of inflation and to explicitly incorporate the aspects of capital flight and its impact on domestic production;

(b) The models should be sent to all countries for national modelling experts to study;

(c) A meeting of African specialists in modelling should be organized.

C. Operationalization of AAF-SAP at the Country level

30. It is obvious that only a short time has elapsed since the adoption of AAF-SAP in April 1989. However, even in this relatively short period, the ECA secretariat has endeavoured to respond to requests from member States for the operationalization of AAF-SAP at the country level. The first country to which the first AAF-SAP mission has been undertaken is Lesotho. The mission which was headed by the Executive Secretary of ECA undertook a series of high-level discussions with the leaders and officials of Lesotho and a number of policy issues were discussed. A model for Lesotho is expected to be developed with a follow-up mission in 1990. The ECA secretariat also supported the Uganda Economic Association which organized a national Workshop on Structural Adjustment in May 1989.

31. It, of course, goes without saying that the individual African countries have the largest role in operationalizing AAF-SAP, taking into account their unique objectives, priorities, requirements, problems and time perspective. As such, it is sincerely hoped that African countries will initiate the necessary actions to ensure that AAF-SAP is fully operational at the country level. Crucial among these actions are the following:

(a) Wide popularalization of AAF-SAP at the country level including its contextualization to the conditions of the country;

(b) Analysis of policy options that could be adopted for the recovery and transformation of national economies;

(c) Design and broad-based discussions of policy framework positions consistent with AAF-SAP;

(d) Design of actual programmes for negotiation and implementation.

D. Operationalization of AAF-SAP at the Subregional Levels

32. It will be recalled that AAF-SAP puts particular emphasis on the necessity for inter-country consultations in the designing and implementation of country programmes. It is in this context that ECA intends to vigorously promote the dimension of operationalizing AAF-SAP at the subregional level through, especially, subregional workshops and seminars at different levels - technical and policy-making.

33. Hitherto, no subregional workshop has yet been organized. However, the ECA secretariat has received a number of requests for the organization of such workshops. The Joint Conference of African Planners, Statisticians and Demographers held in Addis Ababa from 15 to 20 January 1990 also made a strong appeal for the holding of subregional seminars on AAF-SAP.

34. In an effort to respond to these requests, ECA approached UNDP with a project to fund the organization of these meetings. However, ECA has been informed by UNDP that, due to budgetary constraints, it was not able to fund the project. As such, even the seminars that had already been envisaged have had to be postponed. It might be necessary for the Conference of Ministers to make a special appeal to UNDP to fund the crucial subregional seminars on AAF-SAP.

35. Finally the ECA MULPOCs have also started the process of facilitating inter-country consultations. It is, indeed, hoped that at all meetings of the MULPOCs, there will be a thorough consideration of how the MULPOC mechanism can be effectively utilized for the inter-country aspects of programmes of adjustment with transformation in Africa.

Annex I

RESOLUTION ON THE AFRICAN ALTERNATIVE FRAMEWORK FOR STRUCTURAL ADJUSTMENT PROGRAMMES FOR SOCIO-ECONOMIC RECOVERY AND TRANSFORMATION (AAF-SAP)

The Council of Ministers of the Organization of African Unity, meeting in its fiftieth Ordinary Session in Addis Ababa, Ethiopia from 17 to 22 July 1989,

Reaffirming Africa's development objectives as contained in the Lagos Plan of Action and the Final Act of Lagos; Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER) and the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990 (UN-PAAERD),

Recalling the United Nations General Assembly resolution 43/27, urging African countries to "increase their efforts in the search for a viable conceptual and practical framework for economic structural adjustment programme in keeping with the long-term development objectives and strategies at the national, subregional and regional level",

Concerned with the unabated deterioration in the economic and social conditions in African countries in spite of the commendable efforts of African Governments to implement policy reforms and to undertake stabilization and structural adjustment programmes, often with the support of the International Monetary Fund (IMF) and the World Bank,

Convinced that African countries must continue to adjust their economies but at the same time ensure that any adjustment will bring about structural transformation and sustained growth and development,

Having considered the African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP) and ECA Conference of Ministers resolution 675 (XXIV) and Addis Ababa Joint Statement by African Ministers of Finance on the "African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP)":

1. COMMENDS the timely initiative of Africa's Ministers of Economic Development and Planning and Ministers of Finance for the preparation of the African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP);

2. ADOPTS the African Alternative Framework for Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) as a pragmatic framework which will assist African countries, individually and collectively, in formulating country programmes that integrate adjustment with transformation and growth;

3. TAKES NOTE of the major points of consensus agreed upon at the meeting of 10 May 1989 in Washington, convened by the World Bank to discuss issues concerning SAPs in Africa, and in this context WELCOMES that meeting as constituting an important beginning of the dialogues on AAF-SAP;

4. APPEALS to the international community, particularly the multilateral development and finance institutions, to show full understanding for the African point of view concerning structural adjustment;

5. RECOMMENDS to the African Governments to use AAF-SAP as the framework for preparing their country programmes and for negotiating assistance from the donor community and to organize national and subregional seminars on the implementation of the AAF-SAP with the assistance of ECA, OAU and ADB;

6. REQUESTS the African Group of Ambassadors at the United Nations in New York to have placed on the Agenda of the forty-fourth session of the United Nations General Assembly, an item on the consideration of the AAF-SAP to enable the international community to consider the issue in detail.

Annex II

NINTH CONFERENCE OF HEADS OF STATE OR GOVERNMENT OF NON-ALIGNED COUNTRIES

CRITICAL ECONOMIC SITUATION IN AFRICA

The Heads of State or Government:

- Expressed their serious concern at the continued deterioration of the economic and social situation in most African countries, which has undermined their capacity to ensure for their people the basic necessities of life. As a region, Africa is most exposed to both natural calamities and the adverse international economic environment which continues to militate against the economies of these countries, particularly the sub-Saharan African countries.

Noted that, as the region with the highest dependence on commodity exports, Africa has suffered tremendous losses from both reduced demand and the sharp decline in prices. Between 1980 and 1986, non-oil commodity prices fell in real terms by 30 per cent; in 1987 they fell by another 10 per cent and continue to fall. Africa's external debt increased by over 70 per cent from 128.7 billion dollars in 1982 to 219.6 billion dollars at the end of 1987 and currently stands at over 230 billion dollars. The debt service to export ratio has exceeded the critical level of 25 per cent and in the case of some African countries is over 100 per cent. This heavy debt burden, coupled with heavy losses in export earnings and increased import costs, has resulted in an unprecedented net outflow of resources from Africa. The adverse terms of trade and the inadequate flow of financial resources have combined to further reduce the ability of African countries to sustain real growth and development. The serious structural reform of their economies which African countries are undertaking has not been complemented by adequate support of the international community.

- Drew the attention of the international community to Africa's Alternative Framework to Structural Adjustment Programmes, as drawn up by the Economic Commission for Africa and adopted by African Heads of State and Government at their July 1989 Summit, aimed at Africa's structural adjustment with transformation.

- Also drew the attention of the international community to the fact that three years after the adoption of the United Nations Programme of Action for African Recovery and Development (UN-PAARD) by the General Assembly, the international community has not yet given the appropriate support to its implementation despite vigorous and significant policy reforms pursued by African countries, which had exacted severe social and political costs.

The Heads of State of Government:

1. Urged the developed countries and the multilateral financial and development institutions not only to increase, in real terms, resource flows to Africa but also to improve the terms and conditions on which resources are disbursed;

2. Called upon the international community to accelerate the effective implementation of UN PAAERD by adopting policies conducive to accelerating growth and development in African countries;

3. Recommended that Africa's Alternative Framework to Structural Adjustment Programmes (AAF-SAP) should constitute a basis for constructive dialogue between African countries and their development partners in the implementation and financing of country programmes;

4. Expressed satisfaction with the significant progress made by the Southern African Development Co-ordination Conference (SADCC) in implementing the programmes of collective self-reliance and lessening the dependency on South Africa of the economies of its member countries. They urged the non-aligned countries to provide greater support to the SADCC programme and projects;

5. Took note, with satisfaction, of the results achieved by the AFRICA Fund, and called on all non-aligned and other countries to contribute to the Fund in order to accelerate the implementation of the objective of the programmes financed by it;

6. Commended all African regional and subregional economic groupings and organizations for the significant efforts they have made to promote the collective self-reliance of African countries.

Annex III

RESOLUTION [1]

ON THE EUROPEAN COMMUNITY'S POLICY OF STRUCTURAL ADJUSTMENT IN THE CONTEXT OF THE FOURTH CONVENTION OF LOME

The ACP-EEC Joint Assembly

meeting in Versailles from 25 to 29 September 1989,

A. having regard to the annual report of the International Monetary Fund (IMF) published on 19 September, in which, for 1988, a 9% growth in world trade is calculated, although in the case of the least-developed countries, it must be noted that they are confronted with very serious structural problems characterized by:

- very high inflation rates,
- increasing external trade deficits caused by a further decline in the terms of trade,
- increasing external indebtedness ($170 billion for the ACP States),
- decline in the standard of living, and
- vast social problems,

B. whereas, between 1980 and 1988, 33 African countries were forced to conclude standby agreements with the IMF and 15 countries received World Bank loans for structural adjustments,

C. having regard to the recent study by the United Nations Economic Commission for Africa (ECA) on an African alternative framework for structural adjustment programmes, with which the IMF and the World Bank will concern themselves at their annual meeting which is taking place this week in Washington,

D. whereas the United Nations Economic Commission for Africa comes to the conclusion that the current orthodox structural adjustment policy à la IMF and World Bank has proved itself to be totally inappropriate from both basic policy and empirical points of view for controlling the increasing crisis and has actually made it worse in many respects,

E. having regard to the largely catastrophic secondary effects of the IMF and World Bank policy - eg. regressive per capita income, reduced

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[1] Adopted unanimously by the ACP-EEC Joint Assembly on 27 September 1989 in Versailles (France).

wages in real terms, increasing unemployment and underemployment, ever lower standards of social security services, and of education and training, increasing false nutrition and health problems, greater poverty and inequalities of income,

F. noting that the structural adjustment measures have largely failed, even when measured against the criteria established by IMF and World Bank officials: of the major indicators, only the relationship between the balance of payments and the gross national product shows any improvements after structural adjustments have been made; all other indicators such as the proportion of investment in the GNP, annual growth, the relationship between the budget deficit and the GNP, private consumption and the ratio of debt servicing to export revenue have deteriorated,

G. taking the view that, in view of this development and the increasing crisis, it is more urgent than ever to establish a new world economic order,

H. noting that structural adjustment policy has increasingly become a key instrument for the Member State governments and European Community institutions in their efforts to overcome the crisis facing the ACP States, in particular the problem of indebtedness, by means of a macro-economic policy of economic policy conditioning; this structural adjustment policy is due to be explicitly enshrined in the forthcoming Fourth Convention of Lomé,

I. having regard to the intention of the Commission and Council to promote structural adjustment measures not only from the economic but also from the political and social points of view,

J. having regard, further, in the agreement of the EEC negotiating partners in the Brazzaville negotiations for Lomé IV to specify more closely the plans for increased coordination and cooperation with the World Bank and the IMF and, as far as the EEC is concerned, to pursue its own specific adjustment policy,

K. whereas World Bank and IMF measures frequently contradict development policy measures taken by the European Community,

1. Calls on the governments of the Member States and Council and the Commission to do their utmost to put an end to the prevailing structural adjustment policy under the Bretton Woods Agreement - where Community Member States have a majority if they coordinate their policies - and other multilateral financial institutions and to reshape them radically in the form of an adjustment with transformation policy concentrating on a reduction of the extreme foreign dependence of the ACP States - and of the other developing

countries ; and on the encouragement of a self-determined development;

2. Calls on the parties negotiating Lomé IV, when enshrining structural adjustment policy in the fourth convention of Lomé, to ensure that the following criteria are taken as the basis for their actions:

(a) under no circumstances must cooperation with the ACP States be made dependent on the introduction of a structural adjustment policy along the lines laid down by the IMF and the World Bank,

(b) the introduction of structural adjustment measures must not endanger instruments and measures established previously under the first three Conventions of Lomé,

(c) an exact definition must be laid down of what is meant by structural adjustment, i.e. not the social and political shocks caused by the disastrous consequences of the rigorous adjustment policy of the IMF and the World Bank but a policy which enables the ACP States to develop their own domestic market oriented approach,

(d) development strategies must be promoted which concentrate on:

- alleviating poverty and increasing the standard of living of the majority of the population,

- incentives for an independent and permanent process of growth and development,

- promotion of the economic integration of Africa, the Caribbean and the Pacific in the context of national and regional self reliance,

in this connection, support must be given to reorientation to national consumer patterns and indigenous production capacity (as proposed also in the ECA study on structural adjustment programmes);

3. Calls on the Commission and the Council of the European Communities to ensure that the EIB and the EMF waive the repayment by the ACP States of debt service and all outstanding debts;

4. Calls on the governments of the Member States of the European Community to cancel forthwith all demands on the ACP States and on all the other developing countries arising from

previous development aid loans and to provide future aid exclusively in the form of grants;

5. Calls on the Community to break with its previous concept of development and, jointly with the ACP States, in the course of the final negotiations for Lomé IV, to initiate further discussion on a fundamental change in world economic structures, unequal trade and protectionism;

6. Instructs its Co-Presidents to forward this motion for a resolution to the ACP-EEC Council of Ministers, the Council and Commission of the European Communities, the group of ACP States, every other developing country and the multinational financial institutions, especially the IMF and the World Bank.

Annex IV

ECONOMIC AND SOCIAL COUNCIL

REGIONAL CO-OPERATION

African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation

The Economic and Social Council,

Recalling General Assembly resolution 43/27 of 18 November 1988, in particular paragraph 35 (c) of the annex, in which the Assembly recommended that African countries increase their efforts in the search for a viable conceptual and practical framework for economic structural adjustment programmes in keeping with long-term development objectives and strategies at the national, subregional and regional levels,

Convinced of the urgent need for African economies to bring about structural transformation and sustained growth and development,

1. Takes note with interest of the African Alternative Framework for Structural Adjustment Programmes for Socio-economic Recovery and Transformation,[1] adopted by the Conference of Ministers of the Economic Commission for Africa in resolution 676 (XXIV) of 7 April 1989; [2] and the joint statement on Africa's long-term development;

2. Requests the General Assembly to consider taking action on the Framework as appropriate;

3. Calls upon the international community, especially developed countries and multilateral institutions to consider requests to provide support to the country programmes prepared by African countries.

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[1] Copies of document E/ECA/CM.16/6/Rev.3 will be available in the languages of submission. The text will be circulated subsequently as document A/44/[illegible].

[2] See Official Records of the Economic and Social Council, 1989, Supplement No. 16 (E/1989/35), chap. IV.

Annex V

44/24. AFRICAN ALTERNATIVE FRAMEWORK TO STRUCTURAL ADJUSTMENT PROGRAMMES FOR SOCIO-ECONOMIC RECOVERY AND TRANSFORMATION

Date: 17 November 1989

The General Assembly,

Recalling its resolution S-13/2 of 1 June 1986, the annex to which contains the United Nations Programme of Action for African Economic Recovery and Development, 1986-1990,

Recalling also its resolution 43/27 of 18 November 1988 and, in particular, paragraph 35 (c) of the annex to that resolution, in which African countries were urged to increase their efforts in the search for a viable conceptual and practical framework for economic structural adjustment programmes in keeping with the long-term development objectives and strategies at the national, subregional and regional levels,

Taking note of the resolution on the critical economic situation in Africa adopted at the Ninth Conference of Heads of State or Government of the Movement of Non-Aligned Countries, held at Belgrade from 4 to 7 September 1989, [1] as well as paragraph 12 of section II of the Caracas Declaration of the Ministers for Foreign Affairs of the Group of 77, [2] adopted at the special ministerial meeting of the Group, held at Caracas from 21 to 23 June 1989,

Recalling resolution 1222 (L) [3] adopted by the Council of Ministers of the Organization of African Unity at its fiftieth ordinary session, held at Addis Ababa from 17 to 22 July 1989,

Recalling also Economic and Social Council resolution 1989/116 of 28 July 1989,

1. Takes note with interest of the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation; [4]

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[1] See A/44/551-S/20870, annex.

[2] A/44/361, annex.

[3] See A/44/600, annex I.

[4] A/44/315, annex.

2. Invites the international community, including the multilateral financial and development institutions, to consider the Framework as a basis for constructive dialogue and fruitful consultation.

Annex VI

A JOINT STATEMENT ON AFRICA'S LONG-TERM DEVELOPMENT

1. At the invitation of Mr. Barber B. Conable, President of the World Bank, the heads and senior officials of several major United Nations agencies committed to Africa's economic and social progress, as well as of the Organization for African Unity and the African Development Bank, met to discuss issues related to the region's economic recovery and long-term development. The meeting was held at World Bank headquarters in Washington, D.C. on May 10, 1989.

2. Following upon recent reports by the World Bank/UNDP and the Economic Commission for Africa (ECA), participants exchanged views on the serious development challenges facing Africa, and particularly on the structural adjustment programmes currently being implemented by many African Governments. While participants recognized that areas of disagreement remained, they emphasized their determination to work together and collaborate in the wide areas of consensus that exists. They agreed to strengthen mechanisms to achieve that result.

3. It was emphasized that policy reforms, whatever their form, must be relevant to specific country situations and must be designed, implemented and owned by the African countries themselves. It was further noted that the process of gaining public understanding and acceptance of the need for adjustment measures and economic transformation should be as broad-based as possible within the countries concerned.

4. Among the other major points of consensus agreed upon by the participants were the following:

(a) As the basic approach to adjustment issues has evolved, it has become clear that adjustment must be seen as part of a long term development approach and that it must take full account of the human dimension. Stronger efforts are required to assure that this consensus is translated into action. The future challenge is to assist Africa to transform the condition of its economies still threatened with stagnation and decline to sustainable growth with equity.

(b) While sustainable economic growth is imperative, it is only the means to the overarching objective of improving human welfare - for example, reducing infant mortality, increasing educational opportunity, improving health and ensuring food security. Economic adjustment must lead to the long term improvement in the quality of life of the African people. Particular attention should be given to protecting vulnerable groups during the adjustment process, including protection of core budget expenditure on social sector programmes. Special emphasis should be placed on employment opportunities.

(c) The shortage of technical skills and weak institutions are major impediments to Africa's growth and development. Priority should be given, therefore, to human resource development and national capacity building.

(d) The sustainable development and modernization of agriculture is central to Africa's future growth. New and appropriate agricultural technologies, and effective extension services, should be pursued.

(e) Conserving Africa's natural resource base and protecting the environment are urgent priorities. No time should be lost in designing and implementing environmental action plans.

(f) The process of increasing and improving regional economic co-operation and integration in African should be accelerated.

(g) Promotion of the private sector is of vital importance.

5. Participants agreed that while Africa's major efforts to achieve economic growth and recovery should be recognized, the continent continues to be confronted by major problems, including weak commodity prices and terms of trade. The donor community has responded with substantial flows that are being monitored in the context of the UN-PAAERD which was established following the 1986 special session of the United Nations General Assembly. Increased donor assistance is, however, required to support the efforts of the African Governments to expand their reform programmes, and promote sustained economic growth. Substantial debt relief measures are needed, since the external debt burden remains a severe constraint on African development.

6. The distinctive and complementary roles of the various agencies working to support Africa's development were recognized. It was agreed that further steps should be taken to strengthen collaboration and the channels of communication among the Bretton Woods institutions, United Nations agencies and the African regional organizations. It was agreed that this process of consultation should be continued. Participants expressed appreciation to UNDP for its offer to host the next meeting. In addition, participants agreed that it would be useful to further explore issues of structural adjustment, based on studies and major reports prepared by various agencies represented at this meeting.

7. Mr. Barber B. Conable was commended by participants for his constructive initiative in convening the meeting. The exchange of views was welcomed and widely viewed as being beneficial to Africa's long-term development prospects.

8. Among those attending the meeting were Professor Adebayo Adedeji, Under-Secretary General and Executive Secretary of the Economic Commission for Africa; Dr. Bertram Collins, Co-ordinator of the Steering Committee on the United Nations Programme of Action for African Recovery and Development; Mr. William Draper III, Administrator, Mr. Arthur Brown, Associate Administrator, and Mr. Pierre Claver Damiba, Assistant Administrator and Regional Bureau for Africa, UNDP; Mr. Richard Jolly, Deputy Director, UNICEF; Mr. Babacar N'Diaye, President, African Development Bank; Mr. Ide Oumarou, Secretary General, Organization of African Unity; Mr. O. I. Gondwe, Deputy Director, African Department, International

Monetary Fund; and Mr. David Wheley, representing the Director-General for Development and International Economic Cooperation. The World Bank was represented by Mr. Baxter M. Ignatius, President; Mr. Moeen F. Qureshi, Senior Vice President, Operations; Mr. Edward V. K. Jaycox, Vice President, Africa Region; and Mr. Stanley Fischer, Vice President and Chief Economist. The African Executive Directors to the World Bank, Messrs. Bonaventure, Tunna and Mwinyo also attended.

Annex VII

SECTION II THE MEMORANDUM TO THE MANAGING DIRECTOR OF THE IMF

Enhancing the adjustment strategy

Whilst there is little debate about the need for economic reform in Africa, serious questions remain about the dynamics of adjustment, including, in particular, the sequencing and the speed with which reform can be successfully implemented. In this context, it is our view that there is still room for a further adaptation of Fund-supported programmes to enhance their effectiveness as instruments for achieving long-term growth and development in Africa. There is need for a greater degree of transparency in program in addressing fundamental rigidities in African economies, such as the narrow productive base and dependency on few primary commodities .. major reasons why Africa benefited far less than other developing areas from the strength of demand in industrial countries .. low productivity, limited and deteriorating infrastructure and a weak administrative capacity. The widespread poverty, which is in part an outgrowth of these weaknesses, is also a major constraint to be tackled directly. These problems, along with others, have been at the center of the on-going discussion among ourselves and other economic policy makers in Africa in an effort to refocus attention on the development and modernization needs of Africa.

In this regard, we wish to draw your attention to the OAU Resolution on the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP), adopted by the Assembly of Heads of State and Government in Addis Ababa in July 1989.

We must stress here that the particular content of an adjustment programme must reflect the consensus that emerges out of the exchange of views between the staff and the authorities. It is clear that such a consensus is crucial for gaining political support for the implementation of the programme: therefore, it is important that mission leaders be given greater flexibility to consider or present alternative adjustment scenarios without being too constrained by a particular approach agreed upon in the Fund prior to beginning the dialogue with the authorities.

We are of the view that adjustment policies cannot be driven solely by the imperative of achieving short- or medium-term balance of payments viability. In this regard we were heartened by the assertion in your letter of February 22, 1989, to our Chairman, that several programmes supported by ESAF have sought to increase real per capita income and contained explicit provisions for meeting the basic needs of the poor. However, we must also note that the actual performance of a number of these programmes has not measured up to expectations, leading to the conclusion that there is still much room for improvement. In particular, it has been observed in some of the Fund-supported structural adjustment programs that the issue of poverty seems to have been treated only indirectly.

Conceptually, we see the process of adjustment in Africa as a long-term phenomenon, consistent with the historical process of structural change. The outcome will depend on the quality and degree of policy and institutional reform and the period of time that the authorities are given to control and master various policy instruments. Moreover, the Fund staff must appreciate the importance of drawing on political and social considerations that are relevant to the country.

We suggest, therefore, that the strategy should emphasize such factors as education, technical training, health, communication and technological change, which are important determinants of productivity, the low level of which limits progress in our economies. Structural adjustment programs must deal explicitly with these factors because they form the basis for long term growth and development. In this connection, the emphasis in the orthodox adjustment programmes on shifting resources from the public to the private sector must be kept in perspective, given the important role that the former plays in Africa in developing infrastructure and promoting health and education. Fund-supported programmes must guard against undue emphasis on shock treatment to achieve fiscal consolidation in the short run because of the potential to undermine the overriding goal of long term economic growth.

Annex VIII

SECTION OF THE MEMORANDUM TO THE PRESIDENT OF THE WORLD BANK

The Adjustment Process

The first issue of major importance which we wish to address is the adjustment process. Our experience has confirmed that adjustment is indeed a difficult, prolonged and risky process. However, the fact that over half of African countries have embarked on structural adjustment is a clear indication that there is no viable alternative to this route.

Nevertheless, as you are aware, some controversial aspects of structural adjustment have been recognized in the Bank's review entitled "Report on Adjustment Lending". It is therefore understandable that some aspects of adjustment have generated a debate within Africa as well as in the international community.

In this regard we would like to place on record our appreciation for the initiative you undertook in convening a meeting in Washington on May 10, 1989 to exchange views with, among others, leaders of African development and financial institutions who are equally involved in guiding and supporting the adjustment process. We note that this meeting has laid the foundation for improved dialogue and stronger collaboration between the Bank and these institutions, particularly the United Nations Economic Commission for Africa and the African Development Bank Group, for the greater benefit of our countries. We also wish to draw your attention to the OAU Resolution on the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP), adopted by the Assembly of Heads of State and Government in Addis Ababa in July 1989.

Turning now to some specific issues on the reform and adjustment process, we have stressed that the design of programmes should be realistic and be conceived within a longer term time-frame in order to elicit the required supply response. We have also stressed that in view of the fundamental and long-term structural constraints under which programmes are implemented, the design of programmes should be flexible and implementation adapted to evolving conditions. This will require, as called for in the AAF-SAP and elsewhere, acceptance of both the short- and medium term objectives of structural adjustment and the objectives of long-term development and transformation, as both processes are interrelated and should be simultaneously pursued, particularly in view of the challenge of alleviating widespread poverty in the African continent.

There is greater recognition that better ways and means need to be found for dealing with the social costs of adjustment. Given the heavy transitional costs and other costs of adjustment programmes, particularly for vulnerable groups, we believe that a more systematic approach should be adopted. It follows that the integration of compensatory measures for those most affected by adjustment, together with greater focus on poverty reduction and employment

generation, as well as food security, in the design process, should now become mandatory. Accordingly, these programmes should not only be sensitive to the social costs of adjustment, but to the human dimension in general. We would encourage the Bank to expedite the implementation and coverage of the Social Dimensions of Adjustment Project which is meant to meet these concerns.

There is also the need to simultaneously increase the institutional capacity of our countries to design, implement and monitor adjustment programmes. This is all the more necessary given the recognition that adjustment programmes are most likely to succeed if they are "owned" by and enjoy the full support of the government and the public of the country concerned. To further develop and strengthen this capacity therefore, we urge the Bank to assist African countries to upgrade their economic management institutions and management training establishments through direct programmes as well as through the work of the Economic Development Institute.

It is also clear that given the complex nature of the adjustment process itself, and since these operations, by their very nature, tax the implementation capacities of participating countries to the full, there is an urgent need to limit conditionality to the minimum necessary as well as to ensure that the pace and sequencing of reform measures is done in a manageable and realistic manner. Again, in your reply to us last year, you concurred with this observation which was also confirmed in the Bank's recent evaluation of ten years of adjustment lending. We hope to see this lesson on experience reflected and confirmed in Bank practice. As is well known, this issue calls for sensitivity by the staff to the particular circumstances of a given country especially with regard to the pace of implementation. It is our view that there have, in fact, been times when this understanding has not been fully reflected in the dialogue with member countries. This needs to change if, as has been conceded, sustainability of the adjustment process is dependent on the authorities' conviction about its realism. We know you share our concern and look forward to an improved quality of dialogue with our countries on all these issues.

The goal of adjustment with growth cannot be achieved unless policy-based programmes are complemented by specific investments which address our basic developmental challenges. Indeed, in your reply to our memorandum of last year, you agreed that it was desirable for the Bank not to neglect the growing need for specific investment projects in our countries. Human resources development, rehabilitation and investment in infrastructure, food security, and regional integration, should all benefit from such investments given the Bank's role as a development institution. We therefore look forward to the active implementation of investments in these areas in our countries.

While we accept that it may be necessary for the Bank and the IMF to consult on their assistance strategies to member countries, these institutions are independent and have different mandates. It is our expectation therefore that the recent agreement between the managements of the Bank and the Fund on closer collaboration will not result in prejudicing the development concerns of

the Bank or lead to cross conditionality, especially with regard to structural adjustment lending. We also expect to see the Bank continue to take the lead in assisting countries design and implement workable programmes. We hope to pursue this matter further with you in the follow-up discussions by our representatives.